

June 17, 1959

MEMORANDUM OF CONFERENCE WITH THE PRESIDENT
June 15, 1959

Others present:

Secretary Dillon
General Goodpaster



The President said he had not reached a final decision as to whether to send a message to Khrushchev concerning the Geneva conference. He is still thinking about it. The trick will be to be firm yet persuasive. He said our trouble is that we have taken a position in the conference and they have taken a position. We say they are inflexible and they say we are inflexible. In general, since 1955 the West has stood on the same conditions. There are a few essentials on which we stand which are not negotiable, and these seem to be the very things that the Soviets are interested in.

He thought we must look for added or new subjects or possibilities on which to negotiate. He said he had racked his head to think of such things -- that would not appear to be concessions -- and was at his "wits end." He could not see anything as a possibility except some auxiliary activity. He did recall that Khrushchev has raised the question of IRBMs located in nearby countries. If we were to have a break-through in more advanced missiles, it might be possible to give up these IRBM plans.

In general, he thought that the draft message he had been working on was too close to what had been said before to be very useful.

Mr. Dillon said there are two thoughts over in the State Department, the first relating to something to be sent while the conference is still going on, and the second relating to a message to be sent when the conference has broken up.

The President said he would wish that there be absolutely no publicity about his message. He would go so far as not to send it to our allies. He commented that there is no reason that he can

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see, within the limits of policy as agreed with our allies, to avoid direct communication with Khrushchev if any purpose seems to be served. Mr. Dillon said if the correspondence were kept completely private, it might have some effect. Mr. Dillon asked as to informing the British. The President did not think this was necessary since Mr. Macmillan had himself taken an initiative by visiting the Soviets.

The President said he had considered the possibility of establishing a mutual travel agency between East and West Germany as a possible step denoting progress. There would be free travel between these areas, subject only to the supervision of a joint committee. He said he could not think of anything else meaningful. He stressed that it would be a mistake to go to a summit meeting without some prior progress having been made, but added that we would pay a high price internationally if we do not go to a summit meeting. He said what he is trying to say is simply that we should question whether we and the Soviets are so completely certain of our positions that we cannot find something that can be negotiated by the Foreign Ministers that would provide a basis for the Heads of Government to meet. Mr. Dillon said the Soviets have indicated that they were ready to stretch their one-year period of grace to two and one-half years, and to negotiate progressive reductions in forces rather than immediate reduction.

The President said he would continue trying to look for an example where the three could take some action and the Soviets could take some action which would show progress. Thus far he had no success on this score.

The President then mentioned that the Fulbright Board had been in to see him. He said he thought that, as they proposed, the funds for this purpose could be augmented. The program is working very

well, and funds are coming in from other sources, so that the effect of the public contribution is expanded. Also, additional PL 480 and other counterpart funds could be made available. The group had proposed to increase the appropriation by \$5 million each year for the next ten years. The President thought that ten years is too far forward to see clearly, but would agree to an expansion of this order for the next four years.

Mr. Dillon said he shared the President's feeling. He thought local currencies could be used in additional amounts, and said there is need to work on this. The President asked Mr. Dillon to talk to Mr. Thayer who is connected with the running of the program and consider a build-up of the program along the lines proposed by the group and subject to his comments. He asked Mr. Dillon to prepare a memorandum for him which he could send over to budget.

At this point General Persons, Mr. Harlow and Mr. Macomber joined the meeting. Mr. Dillon showed the President a paper he had prepared as a basis for briefing the Legislative Leaders the following day on the Mutual Security Program. He commented that the House Committee action involved cutting Military Assistance by \$160 million but adding \$100 million to the Development Loan Fund. He said the committee had not introduced any extremely bad substantive amendments. There is one which is undesirable regarding the establishment of an Inspector General in the State Department, with surveillance over the whole Mutual Security Program. He did not feel that this could be applied to the defense component of the program. He said that Senator Fulbright has stated he would like to see the military assistance to NATO allowed to increase a bit, through authorization of transfers from the programs from the Far East.

The President commented that this is one subject on which the military chiefs are agreed. He thought Mr. McElroy should have a press conference at which he would bring out that the chiefs have stated in writing their support for the program and their view that if appropriations are reduced, defense appropriations would have to go up more than the full amount. Mr. Harlow recalled that the chiefs had testified to this effect. The President asked that action

be undertaken to obtain such a statement and get it into the press. He commented that we should get more military support for the program. At the present time it is being supported only by political officials. Mr. Harlow suggested as a position that the figure the President had put forward in the budget was intentionally held at or below the minimum needs. The Draper group had recommended an increase, and it is clear that the amount provided by the House Committee is insufficient. The President said strongly that this program is essential to the security of the United States. The military chiefs should speak up on the matter.



Mr. Dillon proposed acceptance of the extra \$100 million in the Development Loan Fund. He also suggested sending up a request for appropriations in the amount of the total being considered for authorization for the Development Loan Fund. Mr. Harlow brought out that Congressman Taber, who is the mainstay of Administration support on the Appropriations Committee, has asked that we hold up such appropriations requests until the authorizations have been determined.

At this point Mr. Upton of Treasury and Mr. Stans joined the meeting, and General Persons left. Mr. Dillon said the subject this group wanted to discuss was the "back door" financing of the Development Loan Fund, proposed by Senator Fulbright. The question is whether to oppose this amendment on the Senate floor, put in an Administration amendment, or take other action. The President said he thought we should make clear that the Administration is opposed to it. He felt, however, that the Executive Branch would be getting into the business of the Congress if it were to put up an amendment at this stage. Mr. Dillon said that language had been sent up to the Committee indicating a way to avoid the problem. Mr. Harlow commented that an amendment would serve simply to implement the Administration position. The President said that the Administration had not said it would send up an amendment. Mr. Harlow said he was confident that some Congressman would in fact offer such an amendment on the House floor.

The President said that if he could take this proposal in a vacuum, he would agree to use of the back-door financing method for the Development Loan Fund. He is fearful, however, of its use in other programs such as housing.

The President commented that, regarding the status of the Mutual Security Program generally, he is not too concerned about support for the Development Loan Fund. The military phase of the program, however, has him greatly concerned. He is afraid we will be losing some allies, or possibilities of developing allies such as Burma if the funds are cut.

Mr. Stans said that he thought that Budget, Treasury and State working together have perhaps found the right kind of a formula -- asking for full appropriations for FY-60 and limited advance appropriations for FY-61 and 62. Once this is obtained, we would wait until the FY-61 budget to get the remainder of the funds needed that year, etc. He said the three agencies will continue to study what would be the best time to put this proposal in.

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A. J. Goodpaster
Brigadier General, USA

